



Stock Code : 2936

Presenter: CFO
Dr. Alexander Pan

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Coaster International Co., Ltd. Investor Conference

COASTER IS AN INDUSTRY-LEADING IMPORTER AND DISTRIBUTOR OF FINE FURNITURE

- ◆ INCORPORATED IN AUGUST, 2013
- ◆ PAID-IN-CAPITAL : NT\$ 765,556,960
- ◆ CHAIRPERSON : LISA KAO
- ◆ PRESIDENT : MICHAEL P YEH
- ◆ NUMBER OF EMPLOYEES : 700 (AS OF APRIL, 2020)

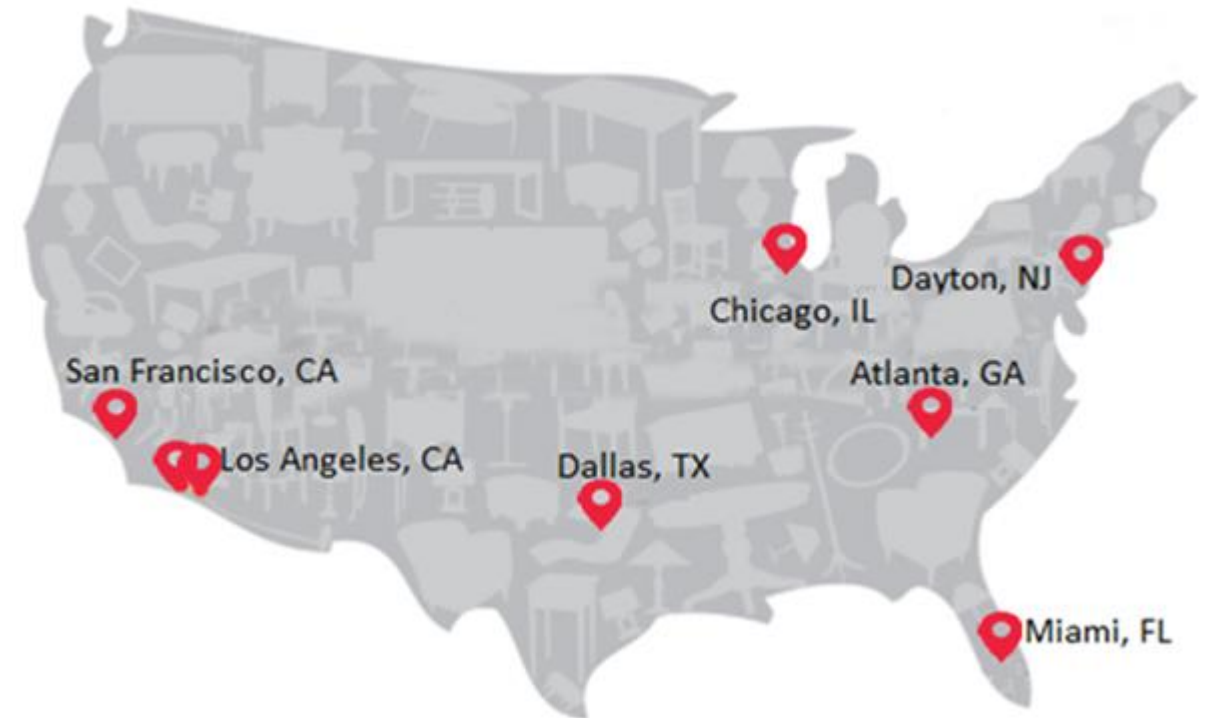
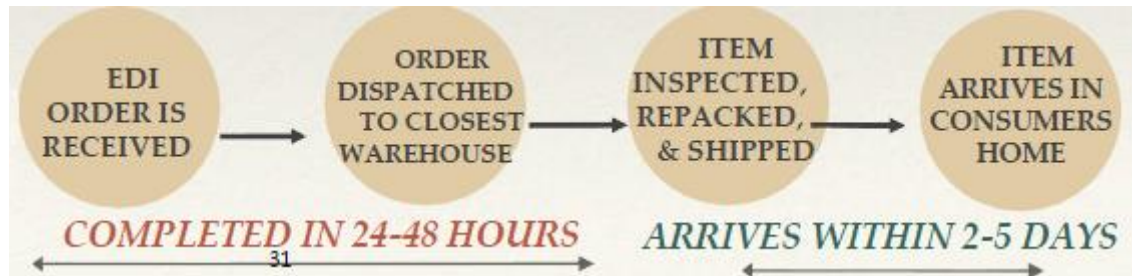


Competitive Advantages-Excellent Distribution Locations



Reliable supply chain warehousing and distribution arrangement.

Coaster established 9 warehouses in U.S. to offer supply chain warehousing and distribution to more than 8,000 furniture dealers and customers. Its unique B2B2C business model has built up a solid foundation in E-Commerce business.



Competitive Advantages-Centralized Procurement



Diversified product sources to reduce the risk of supply shortage from single source .

Most of Coaster suppliers are located in Asia: including China, Taiwan, Malaysia, and Vietnam. To ensure the stability of supply chain and quality of products, Coaster established overseas procurement offices and U.S. distribution warehouses.



Financial Information- 2020 1st Half Year



The Operating revenue of 2020 1H was lower than 2019 1H, the after tax profit for 2020 1H increased about NTD 80,980 thousand compared to the same period of last year.

Unit : NTD \$ 1000 ; %

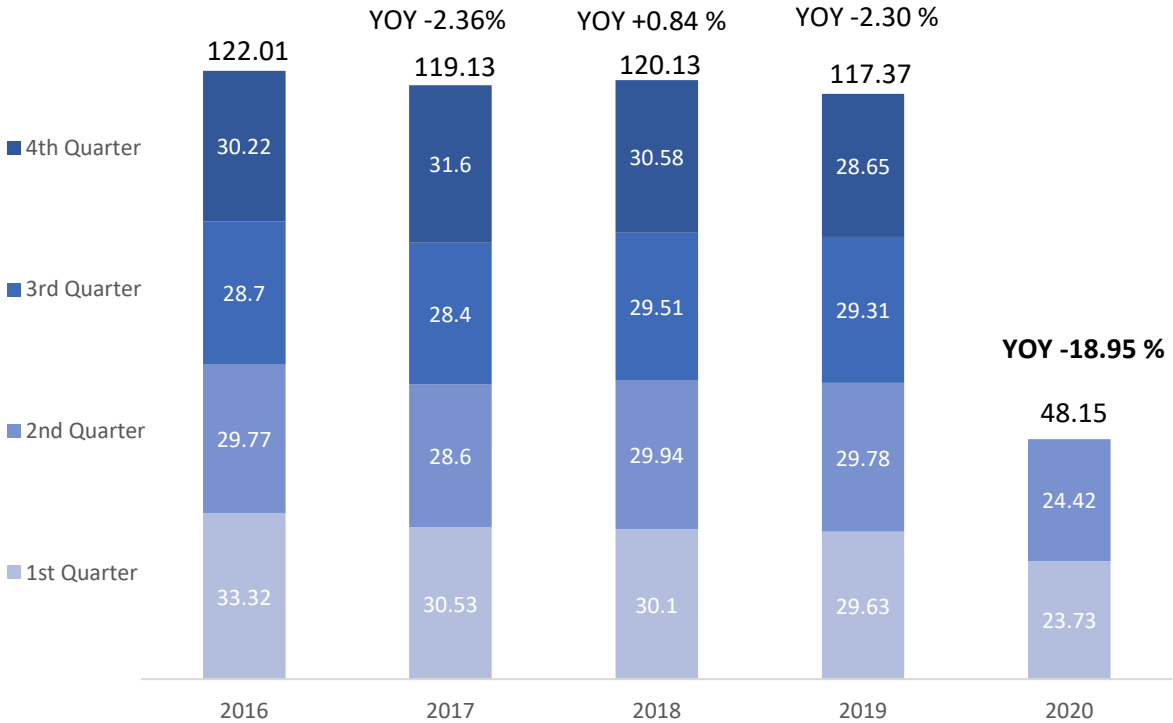
Year	2020 1H	2019 1H	YoY	2019	2018	YoY
Operating revenue	4,814,969	5,941,541	-18.96%	11,737,383	12,013,456	-2.30%
Operating Cost	3,357,700	4,239,371	-20.80%	8,374,047	8,694,921	-3.69%
Gross profit	1,457,269	1,702,170	-14.39%	3,363,336	3,318,535	1.35%
Gross margin ratio	30.27%	28.65%		28.65%	27.62%	
Operating expenses	1,370,970	1,691,328	-18.94%	3,360,756	3,321,003	1.20%
Gain (loss) from operations	86,299	10,842		2,580	(2,468)	-
Non-operating income and expenses	(54,951)	(50,675)	8.44%	(122,188)	(47,171)	159.03%
Income tax benefit (expense)	20,271	10,472	93.57%	47,382	27,689	71.12%
Gain (loss) after tax for the period	51,619	(29,361)		(72,226)	(21,950)	
Earnings per share (NTD dollar)	0.68	(0.39)		(0.95)	(0.29)	

Financial Information-Operation Revenue in Recent 4 Years

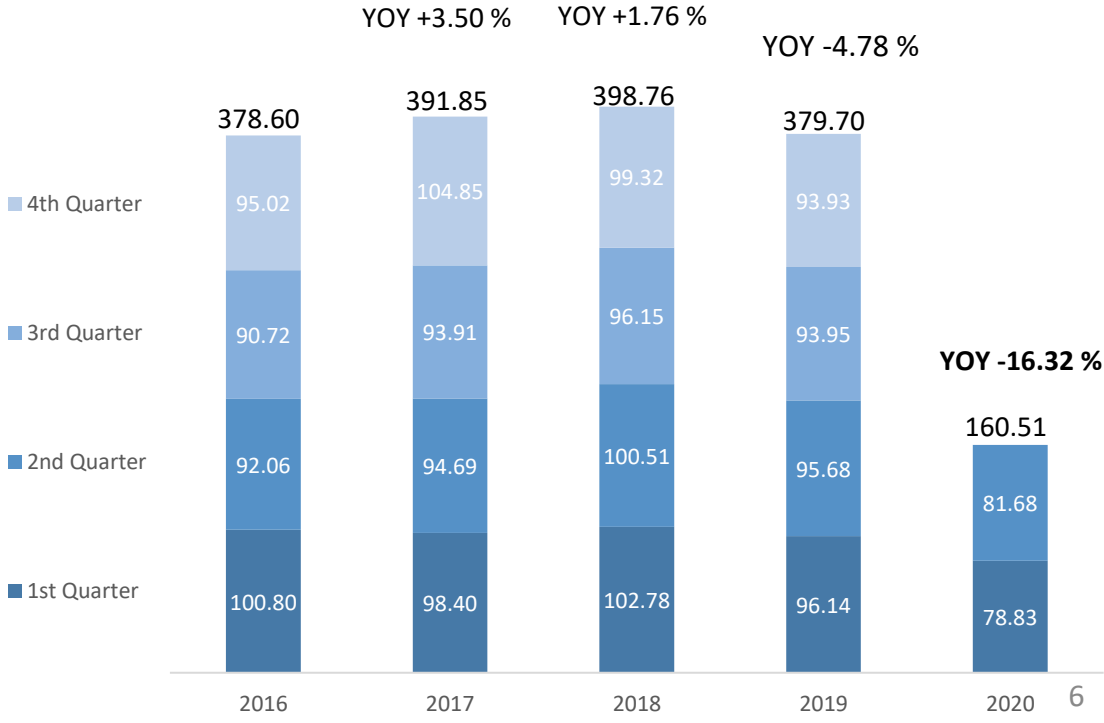


Although the operating revenue not varied much over the past 4 years, the company focused on building Coaster brand and strengthen its efficiency in procurement.

OPERATING REVENUE
(UNIT: NTD 100 MILLION)



OPERATING REVENUE
(UNIT: USD MILLION)

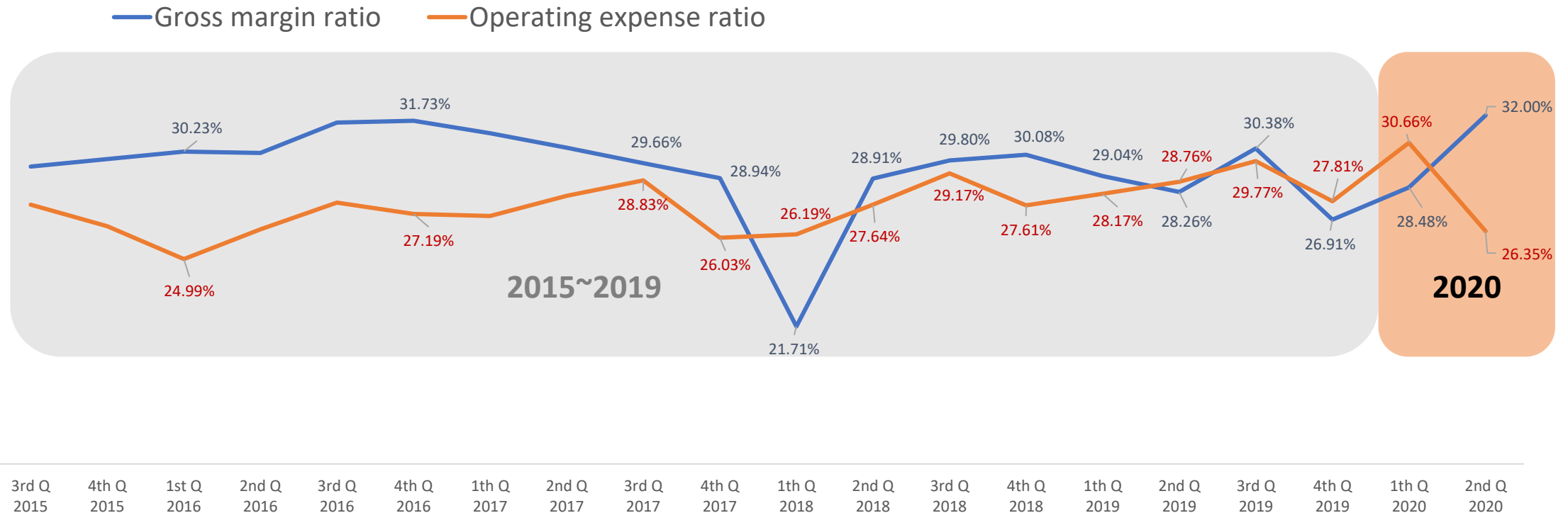


Financial Information-Gross Profit Ratio and Operating Expense Ratio



The gross margin ratio of 2020 Q2 was 32%, higher than that of last year.

Quarterly Gross margin ratio and Operating expense ratio

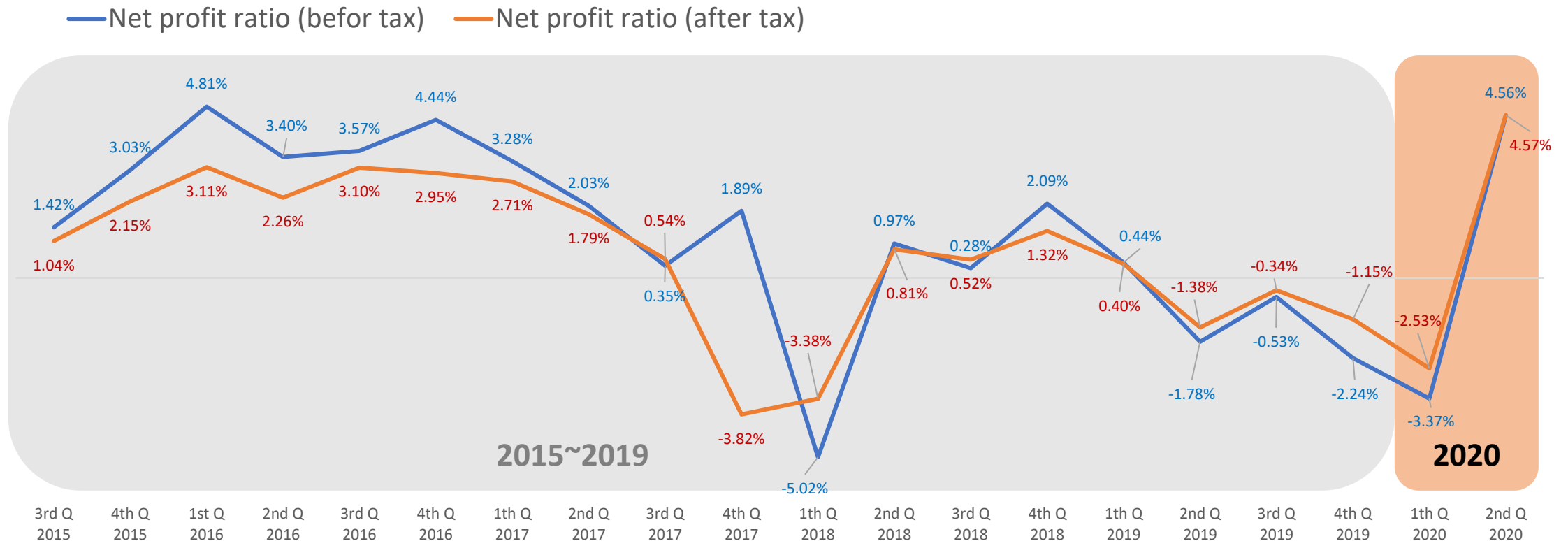


Financial Information-Net Profit Ratio



The net profit ratio of 2020 Q2 was obviously improved.

Quarterly Net profit ratio

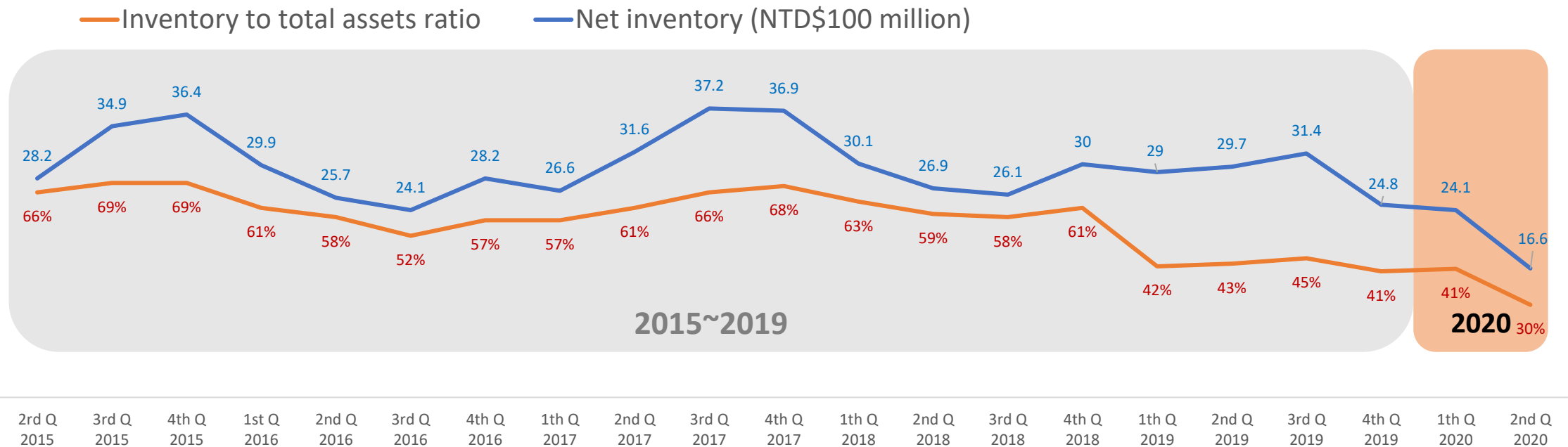


Financial Information-Net Inventory



Compared to the beginning of year 2020, the coronavirus pandemic disrupted the company's inventory procurement strategy, led to a 33.24% decrease of inventory amount on book at the end of 2020 Q2.

Net inventory value

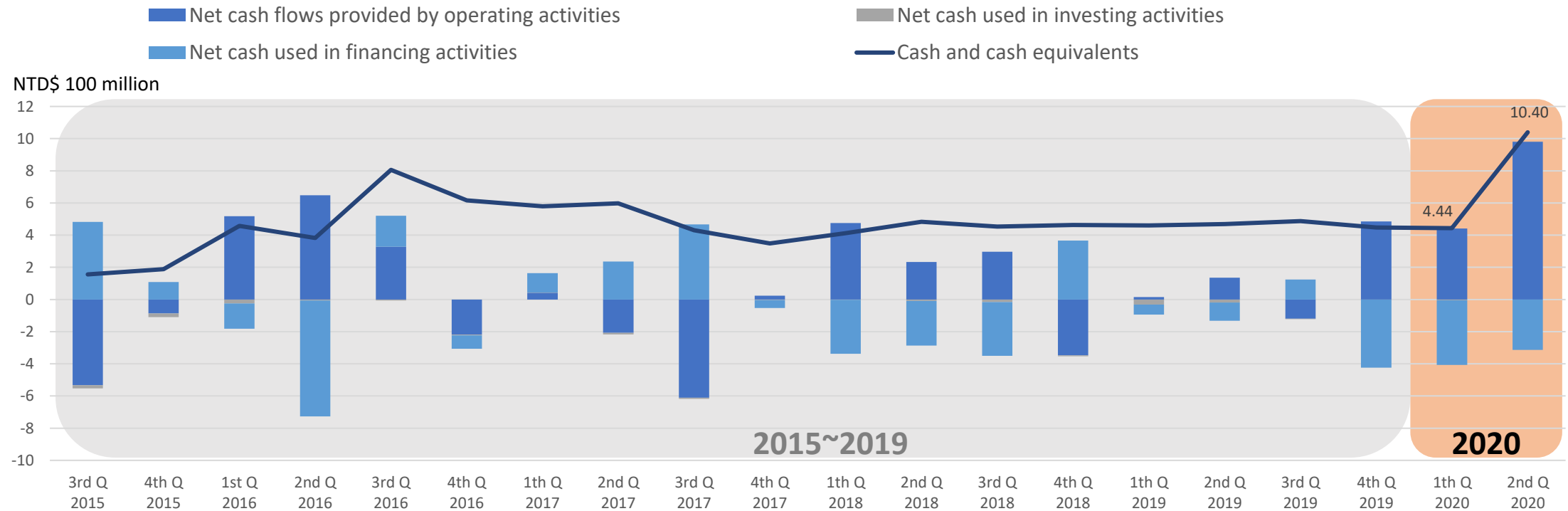


Financial Information-Cash Flow in Five Years



The company maintains an adequate level of cash on hand, the cash and cash equivalents on book was about NTD 1,040 million at the end of Q2 2020.

Cash Flow Analysis



US Furniture Outlooks for H2 2020



Industry Observation:

- The 2020 June and July Sales were observed with booming demand as furniture stores re-opened across the country
- The demand of furniture or home furnishings exceeded the expectation of most U.S. business executives.
- US consumers are buying furniture at unprecedented levels, especially during this normally slow summer sales season, which also leads to unusually sizable backlogs.
- Due to the pandemic, social distancing, and government subsidy program to the unemployed workers, it is hard to find qualified work force at production, warehousing and logistics sectors.
- Many U.S. furniture industry executives believe demand for furniture might probably stay at a relatively decent level for the rest of 2020 (i.e., 2020 H2)
- Based on a study on the US leading 25 furniture and bedding retailers (Furniture Today 2020 – Strategic Insights); With respect to growth trend of furniture distribution channels:
 - Direct-to-Consumer channel experienced the highest growth (estimated @ 27.7% from 2018 to 2019)
 - Where the Two Ecommerce giants (Wayfair and Amazon) with a combined 2019 sales of \$7.5 billion in furniture and bedding sales, which represents a 27.7% annual growth (i.e., a combined net increase in sales from 2018 to 2019 of USD 1.6 billion).

Opportunities and Challenges- Coaster Market Position and Opportunities



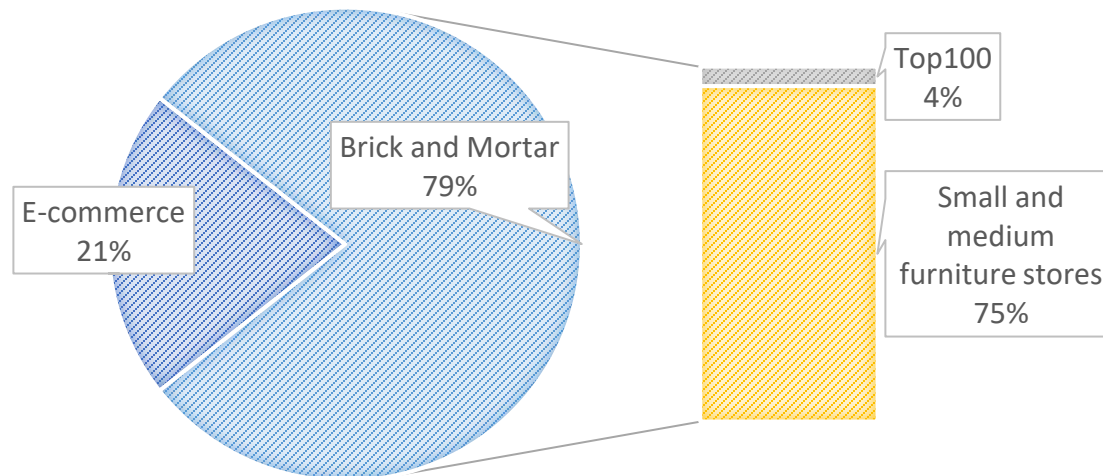
- Coaster has a well-diversified distribution channel on DTC and Independent Furniture retailers
- Coaster enjoys the rapidly growth of DTC/Ecommerce fulfillment such as Wayfair and Amazon
- As well as Coaster's independent run furniture retailers/dealers base consists of 8,000 plus furniture dealers, who are more resilience in managing their operation during the pandemic period (e.g., lower overhead cost of operation).
- Coaster adopts a business model with adequate level of inventory (general keeping 3-month safety stock stored at its 9 US warehouses). The safety stock offers a sustainable solution facing the disruption of overseas supply chain during the pandemic period.
- Coaster continues investing substantial resource on developing/enhancing its supply-chain procurement system (RP2), digital sales platform (CC3), and O2O marketing and service solutions.
- Coaster is relatively well-positioned to capture the opportunities during the period of pandemic and post-pandemic for the New Retailing and Industry 4.0 environment.

Opportunities and Challenges-Business Channels and Growth Ratios

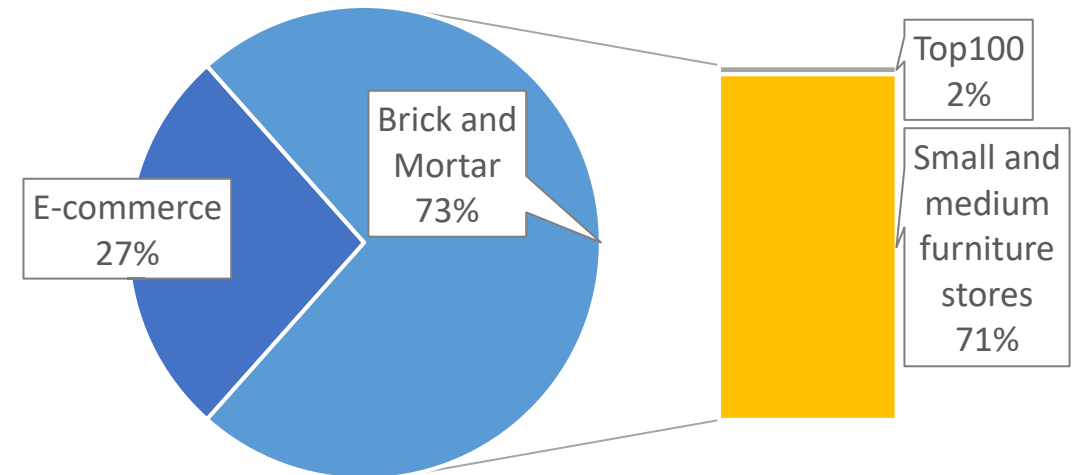


Well-diversified distribution channel

2019
SALES PERCENTAGE BY CHANNEL



2020 1H
Sales percentage by channel



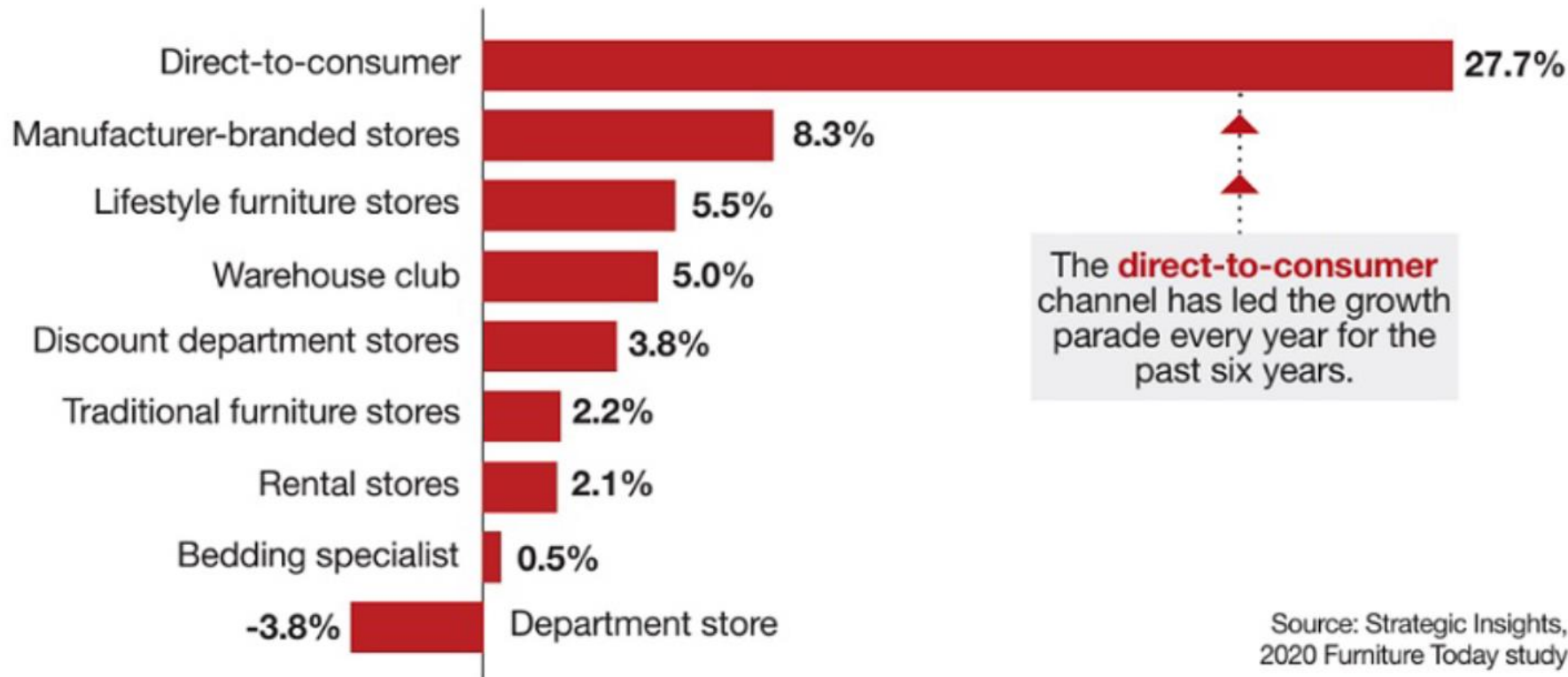
Unit : %

Opportunities and Challenges-U.S. Furniture Channels Growth and Development



The Direct-to-consumer channel (E-commerce) led the growth in U.S. furniture industry.

■ Channel growth *percent change 2018 to 2019*



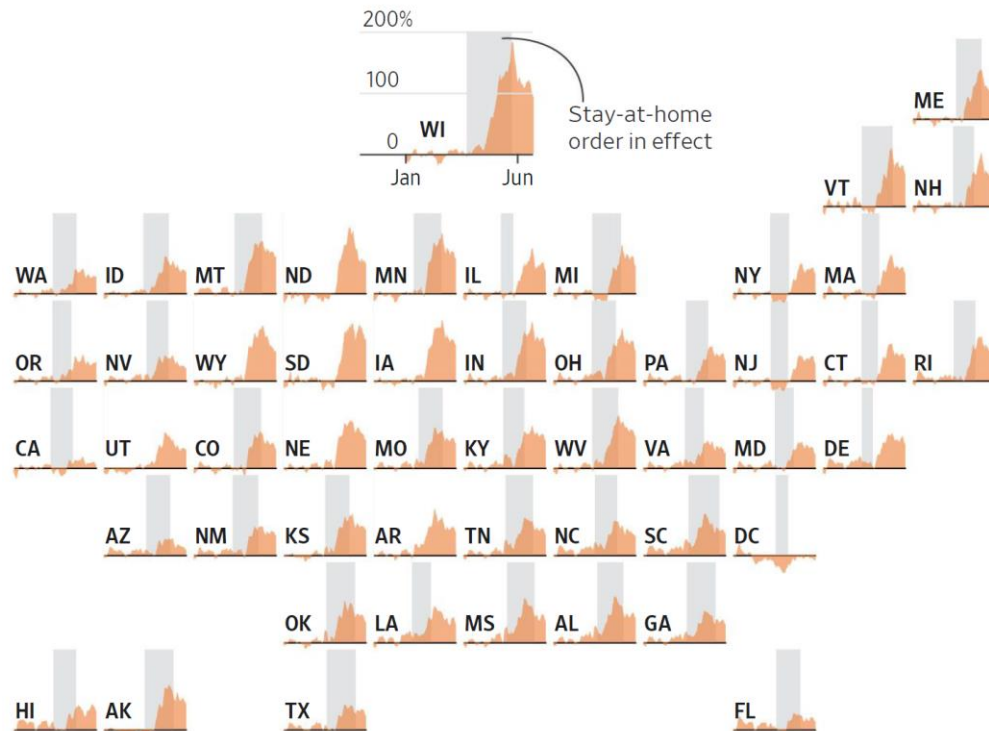
Source: Strategic Insights, 2020 Furniture Today study

Opportunities and Challenges-Foot Traffic in U.S. Furniture Store during Stay-at-home in effect



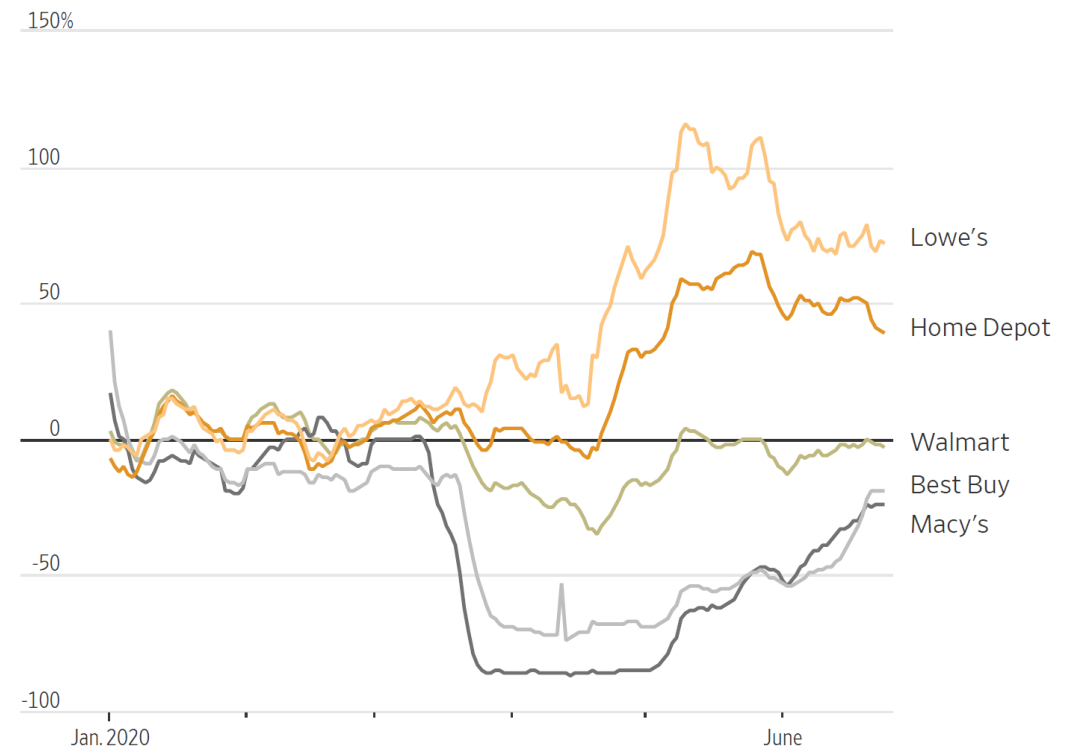
Compared to that of 2019, Demands on Furniture & Home Furnishings experienced a significant increase, Americans have used their time stay-at-home to remodel, fix and redecorate their place.

Percent change in Home Depot's foot traffic compared with 2019



Note: Data are calculated on a 7-day rolling average.
Source: Unacast
Sawyer Click/THE WALL STREET JOURNAL

Foot traffic compared with 2019



Source: Unacast

Opportunities and Challenges-New Technology Application and Data Management



- To strengthen the company's core competence, Coaster digitalized its supply chain information, built up online sales platform and executed a comprehensive marketing strategy.
- Coaster provides thousands of furniture items sources from more than a hundred of manufactures. It is a continuous challenge for Coaster to forecast the demand and maintain adequate inventory. To deal with the long supply chain of furniture, production and transportation lead time, Coaster developed its own unique procurement systems, and able to respond to the rapidly changing global trading environment.
- To save time and labor cost, Coaster uses EDI system to manage a huge number of e-orders. Coaster also works hard to improve the efficiency of managing the database and to establish a more powerful business structure.
- To provide more diversified options and better shopping experiences to consumers, Coaster spares no efforts on improving product design. Over the past 2 years, Coaster launched 4 co-brands: CoasterEveryday, CoasterEssence, CoasterElevations and CoasterSleep. Coaster has also created online communities such as Instagram and Facebook and release Coaster's mobile physical furniture stores, Coaster is going into a new O2O (online to offline) business model.



Q&A

Thank you!